

**UNEMPLOYMENT
INSURANCE
AGENCY**

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Health Coverage Tax Credit

Help with health insurance for those TRA-eligible

You may be eligible for help in paying for health insurance coverage if you are unemployed because of competition from foreign goods and qualify for federal Trade Readjustment Allowances (TRA). The Trade Act of 2002 created a federal tax credit to help certain unemployed workers pay for private health insurance. The new **Health Coverage Tax Credit (HCTC)** covers 65 percent of the premium amount paid by eligible individuals for qualified health insurance coverage.

There are two options for paying your health insurance premium:

- (1) Upon enrollment for the HCTC, you will be instructed to send 35 percent of your health care premium to the HCTC Transaction Center. The Center will then pay the full amount of the premium to your health plan. Or
- (2) You may continue to pay your entire health insurance premium and claim the tax credit on your federal income tax return. However, if you are covered under a spouse's health care plan, you are only eligible for the end-of-year tax credit.

Eligibility for HCTC

You may qualify for the tax credit, if you are receiving:

- (1) **Trade readjustment allowances (TRA)** *or* would be eligible for TRA, except you have not yet exhausted your state unemployment insurance benefits.
- (2) **ATAA (Alternate Trade Adjustment Assistance) benefits**, which are for workers who are at least 50 years of age and receive a percentage of the wage differential between the wages of their previous, adversely-affected employment and their new full-time employment. OR
- (3) Benefits from the **Pension Benefit Guaranty Corporation (PBGC)** and are at least 55-years-old.

Qualified health insurance coverage

The HCTC applies only to the amount you pay for "qualified" health insurance coverage for yourself and qualifying family members (your spouse and dependents).

Qualified health insurance coverage includes:

- COBRA continuation provision;
- Spouse's group health plan for which the employer pays *less* than 50 percent of the cost;
- Non-group health insurance that begins at least 30 days prior to the job separation; and
- The state-qualified plan is Blue Cross Blue Shield of Michigan (BCBS). Call BCBS Customer Service at **1-800-848-5101** for more information.

What may disqualify you

You are *not* eligible for the HCTC, if any of the following applies to you:

- You are enrolled in any a health plan maintained by a current or past employer or spouse's employer that pays at least 50 percent of the cost of coverage;
- You are entitled to Medicare;
- You are enrolled in a state's Medicaid or children's health insurance program (SCHIP);
- You are enrolled in the Federal Employee's Health Benefits Program;
- You are entitled to health coverage through the U.S. military health system; or
- You can be claimed as a dependent on someone else's 2003 federal tax return.

How long you can receive the credit

You can receive the HCTC for any month in which you are considered eligible on the first day of the month. In general, you can continue to receive the tax credit for as long as you are receiving benefits under TRA, ATAA or PBGC and have a qualified health plan.

How HCTC works

Once the Michigan Department of Career Development or a local *Michigan Works!* Agency notifies you that you may be certified under a petition for Trade Adjustment Assistance, you should immediately apply for TRA benefits through the Unemployment Insurance Agency (UIA). TRA applications are available at local *Michigan Works!* service centers.

UIA will issue a determination about your eligibility for TRA. If you are TRA eligible, the Agency will then notify the Internal Revenue Service (IRS). The IRS will then send you an HCTC information packet.

Once you receive your HCTC packet, you must call the HCTC Customer Contact Center toll-free at **1-866-628-HCTC**. The Center will verify if you are eligible for the benefit, collect your health plan information and enroll you in the program.

Questions?

For more information about the HCTC program or to find out if your health plan qualifies under the program, call the HCTC Customer Contact Center toll-free at **1-866-628-HCTC (4282)**. TDD/TTY callers can call 1-866-626-HCTC (4282). Inquiries may be made in English or Spanish.

Information is also at the HCTC website:

<http://www.irs.gov/individuals/article/0,,id=109915,00.html>.